

Subject: {EXTERNAL} Draft Healthcare District Financial Policies (October 3 Versions) - UT Austin Comments and Recommendations

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Priority: High

Dear Judge Eckhardt,

Thank you so much for the opportunity to comment on the most current proposals to amend the Travis County Healthcare District Financial Policies ("Policies").

The proposal to require the District to "enter into arms-length transactions to protect its appropriate profit sharing or other interests in intellectual property and commercialization rights in all agreements for all the products and services it funds" is of significant concern to UT Austin. As a state-owned academic university, UT Austin cannot agree to contracts that would limit its rights to publish, pursue its mission, or contract away its faculty's intellectual property rights.

In addition, it would be unworkable for UT Austin to negotiate intellectual property and commercialization rights in service contracts to take care of Central Health beneficiaries. Providing care to Central Health-funded patients is not a transaction that would generate clear intellectual property to then negotiate over at arms' length. Likewise, in the industry and in other UT System arrangements around the state, providers and government payers do not share intellectual property or commercialization rights in exchange for providing direct care to government-funded patients. Instead, in patient care arrangements, UT Austin strives to introduce care models that are focused first on patient care and use tax dollars in the most efficient way possible by optimizing that care and the means used to deliver it. We look forward to partnering with Central Health and the CCC on these new care models and payment methods, some of which are already in development, to ensure that Central Health sees a strong return on its investment in Dell Medical School.

UT Austin is fully committed to a broad range of research activities to develop medical and clinical innovations that enhance the care for Travis County residents. As part of this commitment, UT Austin would look forward to partnering with Central Health and the CCC to pursue specific joint research projects and goals and would expect that, as part of any such joint projects, the parties would address appropriate royalty or profit sharing and shared commercialization rights for each such project.

UT Austin also supports the District's efforts to allocate its funds appropriately in all third party service contracts and would expect that appropriate allocation procedures would be included in such contracts.

Accordingly, UT Austin would propose that Section 4 of the Policies read as follows:

4. Maintain an adequate and effective system of internal controls over the District's financial operations (including transactions and reporting). At a minimum, adequate internal controls should be maintained and monitored for the following areas: cash handling and management, collections, receivables, liabilities, capital assets, and financial reporting. The District shall enter into arms-length transactions to protect its appropriate profit sharing or other interests in intellectual property and commercialization rights in all agreements it funds for specific joint research activities or projects for all the products and services it funds. The District shall require that its funds are allocated on all joint projects according to written allocation procedures, such as those that are appropriate for educational institutions, state agencies, or non-profits, respectively. All providers shall be required by agreement to follow such specified allocation procedures and keep proper documentation to support the allocation.

We appreciate your consideration and look forward to continued partnership with Central Health.

Please let me know if I can provide additional information.

Thanks very much,

Patti

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